

**GOVERNMENT OF INDIA
LABOUR AND EMPLOYMENT
LOK SABHA**

UNSTARRED QUESTION NO:708
ANSWERED ON:27.11.2006
INTEREST RATE ON EPF
Dhanaraju Dr. K.

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

- (a) whether the interest rate on Employees Provident Fund deposits was reduced from 9.5 percent to 8.5 percent last year and there is great resentment amongst workers in this regard;
- (b) if so, the reasons for reducing the interest rate on Employees Provident Fund every year;
- (c) whether the cut in the interest rate is likely to have an adverse impact on the deposits by the employees; and
- (d) if so, the remedial steps the Government proposes to take in this regard?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF LABOUR AND EMPLOYMENT (SHRI OSCAR FERNANDES)

(a) & (b): The rate of interest declared by the Government on the Employees' Provident Fund for the years 2004-05 and 2005-06 was 9.5% and 8.5% respectively.

The rate of interest is declared by the Government in consultation with the Central Board of Trustees, Employees' Provident Fund, which in turn, makes recommendations to the Government on the basis of the projected incomes and projected interest payment liabilities during a particular year. Thus, the rate of interest is based on the total yield of the Fund, which is invested in accordance with the pattern prescribed by the Government.

Para 60(4) of the Employees' Provident Fund Scheme, 1952 provides that 'in determining the rate of interest, the Central Government shall satisfy itself that there is no overdrawal on the Interest Suspense Account as a result of debit thereto of the interest credited to the accounts of members'. The rate of interest during the year 2005-06 was declared by the Government by taking into account the earning of the Fund and the provisions of the Employees' Provident Fund Scheme.

(c): No, Sir.

(d): Does not arise in view of (c) above.